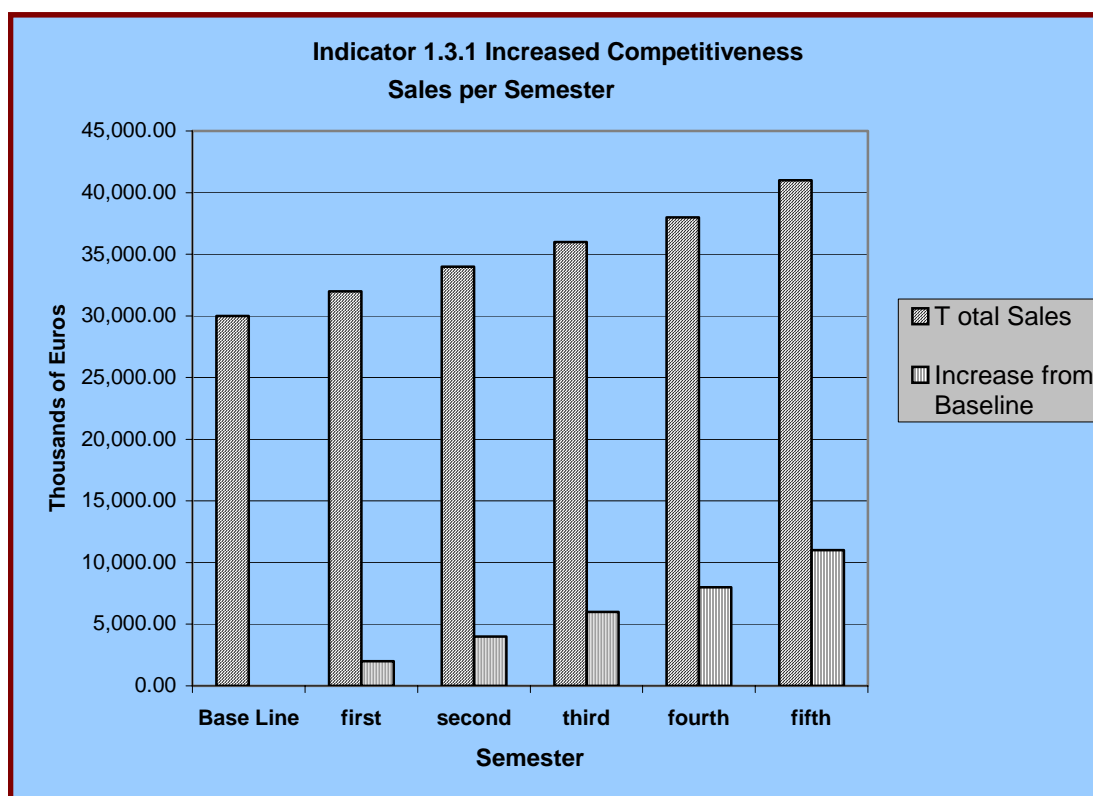




RECOMMENDATIONS FOR IMPROVEMENTS IN THE PERFORMANCE BASED MANAGEMENT SYSTEM [PBMS]

KOSOVO CLUSTER AND BUSINESS SUPPORT PROJECT



12 December 2005

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RECOMMENDATIONS FOR IMPROVEMENTS IN THE PERFORMANCE BASED MANAGEMENT SYSTEM [PBMS]

In March of 2005 the PBMS specialist from Chemonics Head Quarters reviewed and adjusted the design of the PBMS to meet the requirements at that time of the evolution of the first year's work plan. Recommendations were made to the staff and USAID for changes in the indicators. During the last quarter of the first year changes were made in the management of the project. In addition, based on the year's experience with the producer associations, the intended method of data collection through the associations had to be changed for direct interaction by KCBS staff. Finally, it was decided that the impact of KCBS activities probably extends beyond the direct clients and that it would be useful to determine the multiplier effects so that production and employment can be estimated in the whole cluster. With those changes in mind at the end of the first year, it was appropriate to review the PBMS. This report contains the observations and recommendations by an independent monitoring and evaluations specialist.

Kosovo Cluster and Business Support project "Recommendations for Improvements in the Performance Based Management System [PBMS]"
Contract No. AFP-I-00-03-00030-00, TO #800

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The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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PURPOSE OF ASSIGNMENT

The Performance Management Advisor will review the results generated through the program's Performance-Based Management System [PBMS] at the end of the first year of the KCBS project with respect to the measurable goals of sales, jobs, and investment. The consultant shall make recommendations as to how data collection and analysis might be strengthened. The consultant shall also consider the economic structure in Kosovo with a view to developing "multipliers", which reflect results due to KCBS intervention other than those directly measurable at KCBS's client companies.

BACKGROUND

PBMS system of KCBS is designed to be an integral part of the project management structure. The data generated by the cluster teams assists project management in its decision making. In addition to measuring progress and providing results data for quarterly and annual reports to USAID, the PBMS feeds important information to decision makers. The PBMS also plays an important part in determining whether or not to continue assistance to client firms. Based on reported results and cost/benefit analysis, the PBMS specialist may suggest discontinuing assistance to firms that consume a lot of resources but do not show an adequate return on the investment.

Overall, the data collected by the PBMS system shows what works well and what does not, it identifies successful clients and interventions, and allows KCBS to compare projected versus actual results on a monthly, quarterly, and annual basis by comparing selected indicators against baseline data.

An important issue related to measuring indicators is the multiplier effect. A multiplier is a factor that can be used to calculate the overall effect of the change within the local economy. Multiplier impacts reflect two components, direct and indirect effects. The direct effects are the increase within the cluster. The indirect effects are the impacts on local industries related to but not part of the cluster. There was no study performed yet related to this issue in Kosovo, so we do not have data about industry or cluster multipliers.

In addition to verifying the accuracy and consistency of the results reported by the cluster teams, the PBMS specialist also must determine whether the results were caused by the KCBS intervention and thus attributable to the project. During the interviews with clients, the PBMS specialist documents the KCBS intervention strategy, the specific activities undertaken to assist the client, and the effect on specific indicators, in order to determine causality.

EXECUTIVE SUMMARY

The major activity proposed is a survey to gather the data for the direct and indirect clients of KCBS which will start with the dairy cluster. The available data from KCBS on the enterprises was not sufficient, and the data available from local government was too aggregated and of questionable accuracy to be used for the purposes of the project. This survey will begin with the direct involvement of the dairy and feed specialists as they interview the clients for the closing of the first quarter. This first round of interviews will be a test of the methodology with the clients best known by KCBS. From those interviews will come most of the data for the “backbone” of the cluster or production chain, plus the leads for the major buyers and suppliers of the chain who will be interviewed on the second round during the second quarter. From the data an input/output model will be created so that indirect effects of KCBS activities on employment and increased sales can be estimated.

One of the important observations from the multiplier review is that because KCBS is part of a transitional economic restructuring effort, the usual assumptions of input/output analysis and multipliers do not hold. Indeed, structural change is the objective and, accordingly, the multipliers will not be stable. The recommendation is that toward the end of the project a second survey should be carried out to show the structural changes reflected in the multipliers.

The PBMS recommendations made in March of 2005 were reviewed and it was found that they had been carried out. The PBMS design for KCBS was appropriate for the activities as envisioned at the beginning of the first year of the project. Since then, and because of those recommendations, important changes have been made in both the approach to data collection and its storage. For example, it was determined that the Cluster Associations were not developed enough to gather enterprise data and that the enterprise specialists would have to do that as part of their organizational development and technical assistance to the enterprises. The data-base designed for tracking enterprises was well done and is a crucial shared data-base for KCBS personnel. The only area lacking in the data-base was in relation to enterprise costs (material and labor) and the import/export status of both inputs and outputs. Recommendations were made to include these variables in the Multiplier Survey and to incorporate that information into the enterprise data-base as well as the multiplier survey.

With the inclusion of the organizational development of Associations and Business Service Providers as important outcomes of KCBS to improve the business environment, a recommendation was made on creating a shared data-base specifically for the Business Support Team so that their activities can be tracked and the results in terms of the goals for Associations and Business Service Providers. This activity will take careful guidance by the COP and PBMS specialist to assure that the shared data-base is implemented because there is a general KCBS policy of reducing the data collection effort by specialists to the minimum and the General Business Support team is reluctant to use benchmarks and specific process indicators showing their organizational development work. Instead, they would like to report on outcome indicators for their sub-intermediate results. Both process and results indicators are needed for this team to be in keeping with the PBMS.

The Results Framework and indicators were reviewed. Generally it was found that from the Strategic Objective on down the concepts expressed in the titles of the objectives were not well operationalized, that is, the indicators did not seem to represent the concepts directly. Further more, some of the indicators chosen were statistics, which would not have changed because of KCBS effort. It is a basic USAID Log Frame and Results Frame premise that the indicators assigned to a contractor must be indicators sensitive to the activities funded otherwise causality is questionable. The body of the report reviews the indicators from the direct effects and face validity perspectives. Recommendations for changes for both KCBS

and USAID are detailed. These recommendations will require joint USAID/KCBS consideration and decision making.

The periodic reports were reviewed in reference to the PBMS, the work plans, the Results Frame work, and reporting style and formats used on other Chemonics reports in other countries where the consultant has worked. Observations were made as examples of style or format which could be improved so that the reader of the reports would quickly understand the results generated during the reporting period. Generally, the objective is to focus first on the key indicators, present them graphically, and, with a concise narrative, explain progress, obstacles, and intended next steps cluster by cluster. In the case of the PBMS section it was recommended that it be visualized as an administrative function and not the place to report the results of the KCBS.

In the section "Task Findings and Recommendations" each of the six tasks are reported in the order from the scope of work:

FIELD ACTIVITIES TO ACHIEVE PURPOSES

To prepare for the interviews at KCBS in Kosovo a thorough review of KCBS reports and documents was done from the perspective of data presentation, relevance to the Results Framework and Annual work plan. The website was reviewed and key documents, such as the annual report, quarterly reports, the PBMS dated 31 March 05, and the Business Conditions Index were studied before hand, and preliminary comments on from these documents were sent to Martin Wood and Nazmi Pillana on 14 November to be used for the initial conversations with them on 21 November.

Once in Kosovo, interviews were then conducted at KCBS, and additional documents reviewed included the 3/25/05 version of Michaels Adams "Report on Monitoring and Evaluation Assignment Key Issues and Recommendations " and the resulting memo by Tim Hammann (USAID S.O. 1.3 Team Leader) to Urim Ahmeti, (USAID Program Officer) of 13 May which was the result of the Monitoring report and subsequent negotiations with USAID.

Data collection and confidence were discussed with the enterprise staff, the Business Support Staff, and the PBMS Specialist. All of the data-base screens were reviewed and their use discussed with KCBS users, and specific calculation questions were reviewed to assure that the reports generated were accurate. In the case of developing a shared data-base for the General Business Support Team and their proposed activities with Associations and potentially with Business Service Providers, the team members and the team leader were interviewed. For all data-bases, existing and potential, the structure and designs were discussed with the IT Specialist and the PBMS Specialist. In the case of the Multiplier Task, a dairy cluster was chosen to be the test for the methodology and the dairy and feed specialists were brought into the discussion to see if the survey method proposed is practical and will produce data which is accurate. The IT Specialist was consulted on creating a data-base for the survey data.

A meeting was held with the USAID staff to explain the overall findings and recommendations. These activities were interactive principally with the PBMS specialist and also the COP.

TASK FINDINGS AND RECOMMENDATIONS

I. Review of the Existing Performance Based-Management System (PBMS) and a Previous Report Produced by STTA, Ms. Adams-Matson, in March 2005.

The PBMS and the follow-up in late March of 2005 are comprehensive and lay out a dynamic which is ever changing in regard to the role of the associations in data collection. The main issue concerns the indicators used for the IRs; many do not have “face validity” and are too indict to be useful for the objective of using the result to change direction or modify the work plan. Overall, the data needs of KCBS for reporting and management should not be dependent on the capacity of the associations and, at the same time the data needs for the associations should be the basis for their organizational development. One of the expressed goals of KCBS management is that the specialists should not have a data gathering burden. At the same time the PBMS is clear on the responsibility of the specialists and cluster managers to assure the accuracy of the information gathered. The enterprise specialists and cluster leaders maintain and use the data-base. However, the association Manager and Specialists do not have a data-base to store their information systematically and to generate statistics on the associations and the progress that they have made with their organizational development. Recommendations for the Association data-base are presented under Task 3 “Review of the existing data-base.”

The Adams-Matson report of March 2005 was reviewed and table “**Summary of Actions and Next Steps**” is used to comment on the pending actions. These observations are presented in Annex I. In brief, most of the actions were taken.

After the Adams-Matson report major changes were made in the indicators as a result of negotiations between KCBS and USAID¹. These changes were reflected in section 8.2 “Status of Established Indicators” of the FY2005 annual report.

In general, the USAID Results Frame Work, consisting of the Strategic Objective (SO) and Intermediate Results (IR), is not operationalized logically. That is, the indicators chosen are not logical definitions of the concept expressed as an SO or IR. In addition, some of the indicators are not logical outcomes of the activities or the scope of impact of the KCBS.

THE LOGICAL FRAMEWORK AND INDICATORS

The information referred to is from the 28 OCT 05 version of the Annual Report and as presented in the KCBS “Two Year Work Plan” dated 7 OCT 05. The approach in this section will be to state the “Indicator” and then present “Observations” followed by “Recommendations.”

¹ See Ahmeti to Hammann Memorandum of 13 May 2005 “Proposed Changes to the Results Frame Work and Associated Indicators.”

<p>USAID's STRATEGIC OBJECTIVE 1.3</p> <hr/> <p>Accelerated Private Sector Growth</p>
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<p>USAID's IR.1.3.1 "Increased Competitiveness of Targeted Clusters"</p> <hr/> <p>Enterprises: Livestock and Feeds Construction Materials Vegetables</p>	<p>USAID's IR.1.3.2 Improved Business Operating Environment</p> <hr/> <p>Business Service providers Associations Business Constraints</p>
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The SO Indicators are:

USAID's STRATEGIC OBJECTIVE 1.3

Accelerated Private Sector Growth

IR.1.3 (1) Company Profit Taxes Collected, Kosovo-wide

IR.1.3 (2) Exports as a Percentage of Imports – Kosovo wide

OBSERVATIONS ON THE INDICATORS RELATED TO SO 1.3

SO.1.3 (1) "Accelerated Private Sector Growth" as a concept employs two dimensions: 1) growth and 2) acceleration. This dual concept would call for not only growth from year to year, but also increasing rates of growth. Generally, USAID protocol is for a simple and not a complex statement of the SO or IR. In other programs the SO is typically, "Increased Private Sector Growth" and is measured by the production in monetary units and employment. It is clear from the KCBS documents that "acceleration" is not included in the operationalization.

A. KOSOVO-WIDE DATA:

Although the KCBS is intended to have a Kosovo-wide impact, its activities are focused on two sectors (Agriculture and Construction Materials) and, in those sectors, on the leading enterprises. Generally, a USAID program is held responsible for demonstrating the impact of its activities on direct beneficiaries and it is held that the impact on those enterprises contributes to the overall economy. The following table, roughly,² puts the KCBS effort into the Kosovo-Wide perspective.

² By roughly it is meant that the data as found in the "Monthly Macroeconomic Economic Monitor" is probably a gross under estimate of the figures. For example, in 2003 the employment office (Table 3.6) placed 939 people into the agricultural sector, yet that same year enterprises in that sector reported (Table 3.9) only 633 employees.

	KOSOVO-WIDE ³ .	KCBS ⁴	KCBS AS % KOSOVO-W
AGRICULTURE			
No. Enterprises	219	35	16
Employees	514	701	136!!! ⁵
Sales	Data not available	34,410,141	
CONSTRUCTION			
No. Enterprises	795	13	16
Employees	1,922	682	35
Sales	Data not available	8,242,899	

Given these proportions one has to question the use of Kosovo-wide data because the impact of KCBS activities will be difficult to appreciate in the much aggregated Kosovar-wide statistics. A further consideration is that the quality of the Kosovo-Wide data is not dependable. Finally, the KCBS work plan does not have activities which are designed to or which will have a direct impact on these indicators. The three Kosovo-Wide indicators which should be reconsidered as explained below:

1) IR 1.3 (1) Company Profit Taxes Collected. (Kosovar-Wide)

As was pointed out in the KCBS annual report⁶, profit taxes are not a good indicator for actual or increased production.

RECOMMENDATION:

The removal of this indicator should be negotiated with USAID. Or, at least, it should be changed to indicate the desired variable, production, and only the production of the enterprises directly impacted by the KCBS. The indirect production using the proposed multipliers may also be included.

2) IR.1.3 (2) Exports as a Percentage of Imports (Kosovar-Wide)

Although import substitution is a goal, the two sectors where KCBS is operating (Food and Construction Materials) accounted for approximately 34.7% of all imports in 2004, two-thirds of the imports well beyond the impact of the program.

Import substitution is a valid strategy for increasing employment, saving foreign exchange, increasing the numbers of enterprises, etc., but one can envision the ratio of exports to imports as constant while the overall production increases or decreases, that is, the private sector can grow yet remain structurally the same simply by importing greater volumes and exporting greater volumes. If an economy contracts, then the same structure, i.e., imports as a percent of exports (or visa a versa), can remain constant. The face validity of this indicator for private sector growth is poor. In addition, imports may be substantially dependent on consumer or induced effects

³ Macroeconomic Policy Department, "Monthly Macroeconomic Monitor" January 2005 Prishtina, Table 7.1

⁴ KCBS, "Quarterly Report – September 2005, section 11.

⁵ This is a good indicator of the poor statistical base.

⁶ "Considering that companies usually do not present to the tax authorities the real figures for their sales or/and production, it is questionable whether this indicator (or what it represents) shows real increase or decrease in sales and production." p.5.

of the economy and not due to the productive or enterprise development component of the project.

RECOMMENDATION:

To make the export and import concepts relevant to the activities of KCBS it is necessary to focus on the imports and exports of the enterprises with which KCBS is working and the activities of KCBS which will bring about import substitution and also those activities which link the enterprises to external markets. This data should be obtained from the enterprises. (It is not presently gathered.) The two variables, imports and exports, should be separate to be able to demonstrate the impact of the export development efforts and also the initiatives to start import substituting enterprises, components in existing enterprises or link local enterprises to other local enterprises instead of importing materials.

The removal of this indicator should be negotiated with USAID. An alternative could be to report on the exports of client enterprises and on the changes made that reduce imports of the clients directly impacted by the KCBS. Under the data-base review it is recommended that the Enterprise Data-base be expanded to include these variables.

3) IR.1.3.2 (1) Number of Companies Registered (Kosovar-Wide)

KCBS does not have an activity or support for a program that encourages or enforces the registry of companies. If KCBS were doing massive company start-up or working with many small or micro enterprises in the informal sector and part of the responsibility were to encourage registration, then the number of registrations because of KCBS effort would be an indicator of this effort.

RECOMMENDATION:

The removal of this indicator should be negotiated with USAID.

MORE RELEVANT INDICATORS OF PRIVATE SECTOR GROWTH:

Aside from IR 1.3.2 (1), number of companies registered, the indicators chosen for private sector growth are very poor, and, in the case of "registry," in many countries this has been related to desperation in dire economic times and indicative of economic contraction. Consider the case of Kosovo from 1989 to 1994 when over 16,000 new enterprises were registered after the SOEs on government agencies fired Albanian Kosovars, and, at the same time, opened the registry for enterprises, the growth of the number of private enterprises was rapid, but there is little indication that the economy actually grew during and after that period.

Indicators such as:

IR.1.3.1 (1) Sales within Targeted Clusters,

IR.1.3.1 (2) Jobs Created within Targeted Clusters, and

IR.1.3.1 (4) Improved Productive Capacity of Private Enterprise - Value of Capital Investment within Targeted Clusters,

are more relevant as indicators of private sector growth

RECOMMENDATION:

As will be explained, sales and jobs are not logical indicators of competitiveness. Instead, they should be used as indicators for SO 1.3

USAID's IR.1.3.1 Increased Competitiveness of Targeted Clusters

Livestock, Construction Materials, Vegetables

OBSERVATION:

The concept to be operationalized is "Competitiveness." There are two indicators relevant to this:

- 1) IR.1.3.1 (3) Labor Productivity, and
- 2) IR. 1.3.1.2⁷. Improved Quality Control

The remainder of the indicators ascribed to this IR are not relevant; three should be indicators of SO 1.3 as explained above:

IR.1.3.1 (1) Sales within Targeted Clusters,
IR.1.3.1 (2) Jobs Created within Targeted Clusters, and
IR.1.3.1 (4) Improved Productive Capacity of Private Enterprise - Value of Capital Investment within Targeted Clusters

The fifth indicator,

IR.1.3.1 (5) Strengthened Capacity to Access Credit: Value of Financing within Targeted Clusters,

has internal operational problems. Basically, "Strengthened Capacity" is an organizational development (OD) concept which would have to be defined in terms of how the enterprise is stronger and better able to gain financing. The value of financing would be an outcome of the O.D. effort, or the policy dialogue, etc. which would contribute to IR1.3.1 (4) above so that the enterprises could be more competitive if, indeed, access to capital were a bottleneck to improved technology or economies of scale. More detail is provided on this indicator at the end of this Task Section.

IR.1.3.1 Increased Competitiveness of Targeted Clusters; Indicator 3: Labor productivity in targeted enterprises

OBSERVATION:

Labor productivity is, indeed, a sound indicator for competitiveness. However, when comparing costs between competing companies or economies in the market place the cost of labor should be in terms of labor costs per unit of production costs because the question for competition is not the time input (FTEs/€100,000 of sales) but the differential cost of labor at all levels or € labor /€100,000.

How did this perspective come about? Is it that there were state enterprises to be privatized and it was assumed that there were too many workers for the output needed? Usually one seeks to increase production per worker cost at the same time that sales are increased; hence productivity increases as the firm increases its market share, which is a primary goal of the KCBS as well as job creation.

⁷ The numbering system for indicators added under section 8.3 of the Annual report "Additional Indicators agreed in April 2005" uses an additional decimal place instead of having the indicators in parenthesis.

Given this alternative perspective, it then becomes more convenient (and logical) to talk about productivity in terms of output per unit of labor cost and not putting one's self into the apparent contradiction with the job creation goal of the KCSB.

The present text reads:

IR.1.3.1 Increased Competitiveness of Targeted Clusters

Indicator 3: Labor productivity in targeted enterprises

Definition: Decreasing labor involvement in producing same value of sales in micro, small, medium, and large enterprises, resulting from direct KCBS assistance or through the SAF.

Unit of Measure: FTE days per €100,000 of sales.

Disaggregated by: Cluster

Justification: Measurable productivity gains demonstrate the growing competitiveness of target clusters as well as the improved productive capacity and direct investment in enterprises. Increased productivity measures the overall capacity and ability of firms to become more competitive by adopting modern practices and innovating in order to increase sales value and reduce costs.

RECOMMENDATION:

1) Rewrite the indicator in terms of productivity per Labor cost, e.g.,

Definition: Increasing production per unit of labor cost ~~Decreasing labor involvement in producing same value of sales~~ in micro, small, medium, and large enterprises, resulting from direct KCBS assistance or through the SAF.

Unit of Measure: € Sales per € labor costs

Justification: Measurable productivity gains demonstrate the growing competitiveness of target clusters as well as the improved productive capacity and direct investment in enterprises. Increased labor productivity measures, in part,⁸ the overall capacity and ability of firms to become more competitive by adopting modern practices and innovating in order to increase sales value and reduce costs.

2) Disaggregate further, e.g.,

Disaggregated by: Cluster, labor – worker, supervisor, management⁹.

⁸ KCBS also is aiming at productivity in terms of the equipment and technology.

⁹ Managerial costs per output may be high with sole proprietor enterprises – this is a found in many developing economies as well as multinationals (Recall the comparison of the US Auto Industry with the Japanese a decade or so ago – too much middle management and high compensation for upper management.)

INTERMEDIATE RESULT TWO

USAID's IR.1.3.2 Improved Business Operating Environment

Business Service providers
Associations
Business Constraints

IR.1.3.2 (1) Improved Business Operating Environment Indicator: Number of Companies Registered – Kosovo wide.

OBSERVATION: Critiqued above and recommended for elimination

IR.1.3.2 (2) Business Associations Responsive to Client Needs Indicator: Number of Associations with Strategic Plans

OBSERVATION:

This is part of the Association Organizational Development scale and valid, if, indeed, the clients want strategic plans. Client needs as defined by annual work plans might be the source of information to operationalize this concept. If the annual work plans are the product of association members then, perhaps the % of planned outcomes could be indicators of the client needs if the members are the "clients." The Business Support Team needs to define this concept and the relevant indicators.

IR.1.3.2 (3) Business Associations Responsive to Client Needs Indicator: % of Operating Revenues Self-Generated by the Associations

OBSERVATION:

This is part of the Association Organizational Development scale and valid.

IR.1.3.2 (4) Business Associations Responsive to Client Needs Indicator: Number of Associations employing Permanent Staff

OBSERVATION:

This indicator does not have face validity and, as per the model that KCBS is supporting, i.e., that associations will use business service providers to support their members, it is the opinion of the Association Advisor that this indicator be eliminated.

RECOMMENDATION:

Eliminate this indicator.

IR.1.3.2 Improved Business Operating Environment Indicator: Business Environment Index

- 1.3.2. - 2. Cost to Create Collateral (% of income per capita)
- 1.3.2. - 3 Private Bureau Coverage (borrowers per 1000 capita)
- 1.3.2. - 4 Cost of Enforcing Contracts (cost as % of debt)
- 1.3.2. - 5 Number of Unresolved Claims

OBSERVATIONS:

This indicator, the Business Environment Index, is ideal for defining and operationalizing the concept of “Business Operating Environment.” It is also an excellent tool for identifying the areas which need to be improved. Each of the seven areas in the Index has proven and globally-accepted definitions. The four sub-indices chosen can be linked to the public-private dialogue and initiatives which may be undertaken by the associations and/or KCBS specialists.

RECOMMENDATION:

This should be the basic indicator for defining and measuring the concept of “Improved Business Operating Environment.” IR 1.3.2

The other indicators from this sub-IR are measures of efforts to improve that environment as follows:

IR.1.3.2.1 Strengthened Business Consulting Services; Indicator: Number of businesses using business consulting services

OBSERVATION:

This indicator really does not define or explain the strengthening of Business Consulting Services (BCS) which is an important effort of the “General Business Support Team” as presented in 4.3 of the second annual work plan. An outcome of the strengthening process may be increased use of the services if the Enterprises accept the premise that it is cost effective to do so.

RECOMMENDATION:

The General Business Support Team needs to complete its SWOT and survey of the service providers to define the needs and the program to strengthen them so that this sub-IR can be measured as a scale of organizational development as recommended for the Associations.

The statistic, “Number of businesses using business consulting services” can be part of the Association data-base on their members. That would apply to both direct clients of KCBS and the so-called “second tier” of members of associations who are not direct clients of KCBS, but who may be influenced through the association training events and services offered.

IR.1.3.2.2 Improved Capacity for Policy Dialogue Indicator: Number of Private-Public Dialogue Task Group Recommendations Implemented

OBSERVATION:

This effort, the policy dialogue, contributes to the improved environment IR, and the number of recommendations implemented is a sound indicator of the effort. But the concept “improved capacity” is not defined. Had this effort been part of the Association organizational development, then a series of indicators for the concept could have been developed to show how the capacity of those associations in this area had been strengthened. During the first year of KCBS a substantial effort was made to bring together the public and private interests on key issues, but the effort was a KCBS effort and not the result of strengthened associations. In the second year work plan there are not a series of activities to strengthen Associations in this area.

RECOMMENDATION:

If KCBS or KCBS through association strengthening is going to be involved in policy dialogue, then either there will have to be a process indicator for the associations showing the strengthening or an outcome indicator with targets for areas of dialogue clearly identified in the work plan. Otherwise, drop the indicator.

IR.1.3.1 .2 Improved Quality Control

Indicator 1: Number and type of standards approved by target associations

OBSERVATION:

Improved quality control contributes to the competitiveness (1.3.1). The number and types of standards approved by the associations is a step toward application, but it is not a good measure as stated.

RECOMMENDATION:

A more appropriate indicator would be the percent of membership applying the standards. This was discussed with the association advisor, and it is agreed that the indicator should be changed to the number of members applying the standard. This information should be tracked by the association and be part of the associations' data-base and reported to KCBS as part of their quarterly reporting process. If the association data bases include the application of the standards per member and the recommended sales data is also collected, then an association would be in the position of demonstrating that they and the standards are being applied to x% of the sector. The indicator sheet should be:

IR.1.3.1 .2 Improved Quality Control

Indicator 1: Percent of Members applying standards

Definition: Once trade associations have approved standards, quality controls, or certification labels, the number of association members who apply them is tabulated and compared with the total number of members.

Unit of Measure: Number or Percent of members

Disaggregated by: Association

Justification: One of the reasons that local products do not compete well in the local and international markets is that quality control and standardization of products has not been a tradition. KCBS will be working with the enterprises and the associations to develop or use existing standards relevant to their market and targeted markets.

RECOMMENDATION:

The data-base for the associations would need to have variables for each standard or type of certification so that they could report quarterly and annually. An alternative, if the association data-bases are not established would be to have a variable in the Enterprise data-base for each applicable standard or certification.

If more than one standard or type of certification is done for an association then the effectiveness of an association could be measured in this regard by a scale. For example:

Standard ¹⁰	Approval Date	No. Members Applying	% Members Applying
1			
2			
3			
4			

IR.1.3.1 .3 Strengthened Capacity to Access Credit; Indicator 1: Value of Financing within targeted enterprises

OBSERVATION:

As explained at the beginning of this section of the report, the indicator is a better indicator of Private Sector growth, than it is a capacity indicator which is an organizational development concept¹¹.

RECOMMENDATION:

Change the indicator to an SO 1.3 indicator with a title such as "Increased Capital Investment." For example, the indicator could then be:

IR.1.3. 34 3 Strengthened Capacity to Access Credit Increased Capital Investment: Indicator 1: Value of Financing within targeted enterprises

Definition: Euros borrowed from ~~Financing includes~~ commercial bank, non-bank, and micro financing of micro, small, medium and large enterprises, resulting from direct KCBS assistance or through financial institutions.

Unit of Measure: Euros.

Disaggregated by: Cluster

Type and duration of financing [capital investments, working capital, long-term, letter of credit, leasing]

Justification: Financing is a key measure of enterprise growth and viability. Expansion of both commercial bank and non-bank financing reflects expected increases in enterprise sales and a growing ability of enterprises and financial institutions to measure and manage business and financial risks. Increased financing is a key indicator of the economic health and competitiveness of an industry.

¹⁰ From the text it is suggested that there are specific European standards which would be applicable for each industry. If that is so, then why not list the standards in the order that they would be promoted – it is probably a cumulative progression, no?

¹¹ For organizational development the work being done by KCBS on business plans, accounting, etc. are better indicators of strengthening so that firms can make better loan applications.

IMPROVED CAPACITY FOR POLICY DIALOG (1.3.2.2): Indicator 1: Statistical strategy established

OBSERVATION:

The statistical strategy is one of many possible indicators of Association capacity to engage in policy dialogue, and many of the other indicators described above are indicators of strengthened associations.

In conversation with the “General Business Support Team” they explained that one of the organizational development goals for the associations was to strengthen them so that they would be sustainable. The background is that these organizations have been donor supported and that when donor funding declines the organizations, if they are to serve membership needs, will have to be self sufficient. Indeed, KCBS has a three year program of declining funding for SAF projects with the associations whereby the cash match has to be 40% the first year, 60% the second and 80% the last and final year. Thus the focus for policy dialog is on the organizational strength of the associations as well as outputs which respond to membership needs.

RECOMMENDATION:

“Statistical Strategy Established” should be one of a series of indicators in a checklist of organizational development as described below.

KCBS is working with existing associations and is also forming associations. Accordingly, for existing organizations there should be a baseline survey of the strengths and weaknesses of the organizations and for new organizations there should also be a list of characteristics which will have to be established if the organization is to be stable. As written, the five indicators under Improved Capacity” (1.3.2.2) and “Responsive to clients needs” (1.3.2.3) are not a direct indicator of the concepts “Capacity” and “Response.” Usually, the development and establishment of an organization is measured by a scale of logical steps which are also indicators of the advance of the organization as well as the accomplishment by the organizational development staff. An example of indicators that an association has been established is:

- 1) formally registered as an association
- 2) has a board of directors
- 3) Has a mission Statement
- 4) has by-laws
- 5) has a vision statement
- 6) has a strategic plan which reflects the mission and vision statements (IR 1.2.3 (2))
- 7) has an annual work plan which is coherent with the strategic plan
- 8) staffing (temporary, service providers or permanent to carry out the annual plan (IR 1.3.2 (4).
- 9) A statistical strategy is established
- 10) budget is established
- 11) record keeping of membership
- 12) finances are auditable (income section should provide IR.1.3.2 (3)
- 13) Tax filing is done annually¹²

¹² Associations with more than E50,000 per year revenues must file a tax report and “ Beneficiary” type associations, because of tax exemptions must also file. An association which is not up to date could be subject to fines or pressure which would weaken its standing.

Aside from such a scale, additional continuous indicators are used and those indicators would be of direct interest to the management of an organization as well as for the association to use to represent itself for business and advocacy. For example:

- 1) number of dues paying members,
- 2) amount of dues paid,
- 3) amount of external fundraising,
- 4) percent of budget raised from dues and fees,
- 5) total sales of the members, and
- 6) total number of employees of the members.

One might also add import/export data

- 1) Value of member imports,
- 2) Value of member exports,
- 3) Countries to which sales go, and
- 4) Counties from which imports come.

With this information about membership an association can then demonstrate the weight of what it represents and its significance to the economy and society.

OUTCOMES FROM STRENGTHENED ASSOCIATIONS:

KCBS posits outcomes from the strengthened associations which would be part of the annual work plans of the associations. When it comes to this outcome, or result, direct measurement is less standardized than an organizational strengthening scale or quantitative outputs because the needs would be association specific. Three outcome areas have been identified:

- 1) "Client (membership) Needs."
- 2) "Cluster-Specific Indices"
- 3) "Policy Dialog"

Given that the specific needs, indices or industry studies and policy foci will have to be identified annually for each association and KCBS work plan, assigning a number would not be meaningful for reporting. These outputs will be ever-evolving and they should be reflected in the annual work plans of the associations. These outcomes will have to be reported qualitatively in order to show their importance as part of the narrative in periodic reports (quarterly and annually).

The data-base implication of these organizational development indicators is explained in section III. "Review of Data-bases.

II. Review of the results generated through the PBMS and presented in PMP and Annual report.

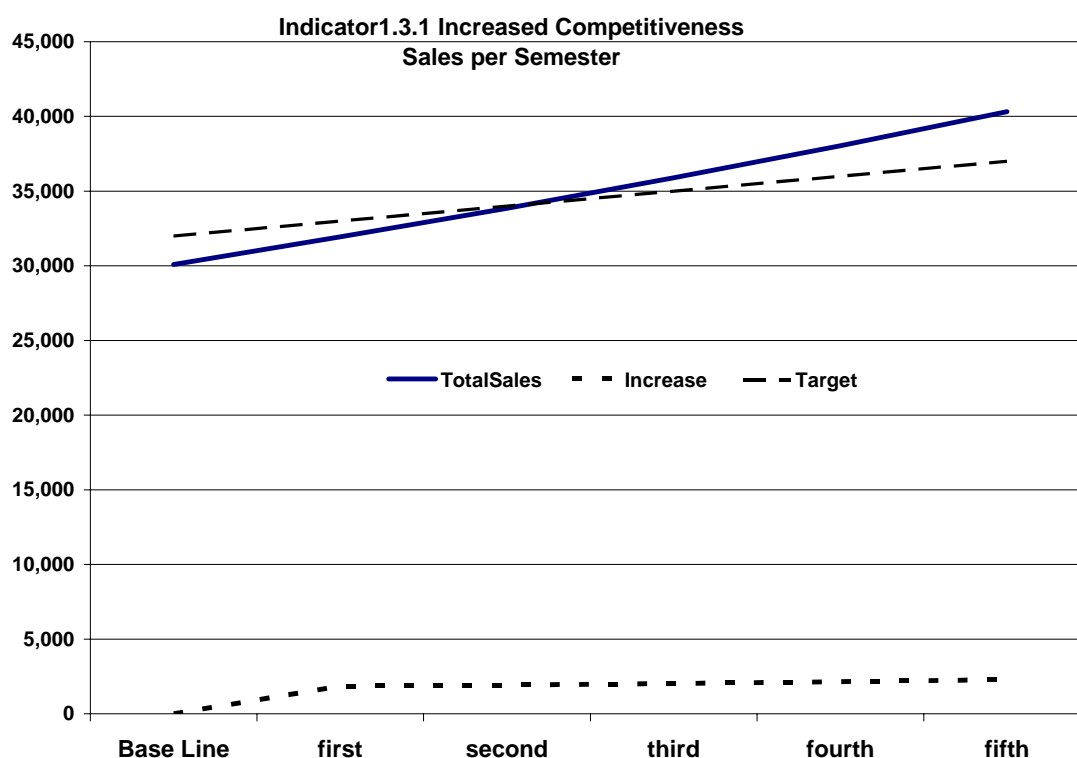
Annex II is a general outline that has been used on other Chemonics projects, nevertheless, when a local USAID Mission stipulates a format, then that format has to be used. Follows are suggestions and observations for consideration at KCBS based on a review of their reports.

OBSERVATION 1 – Key Indicators Up Front

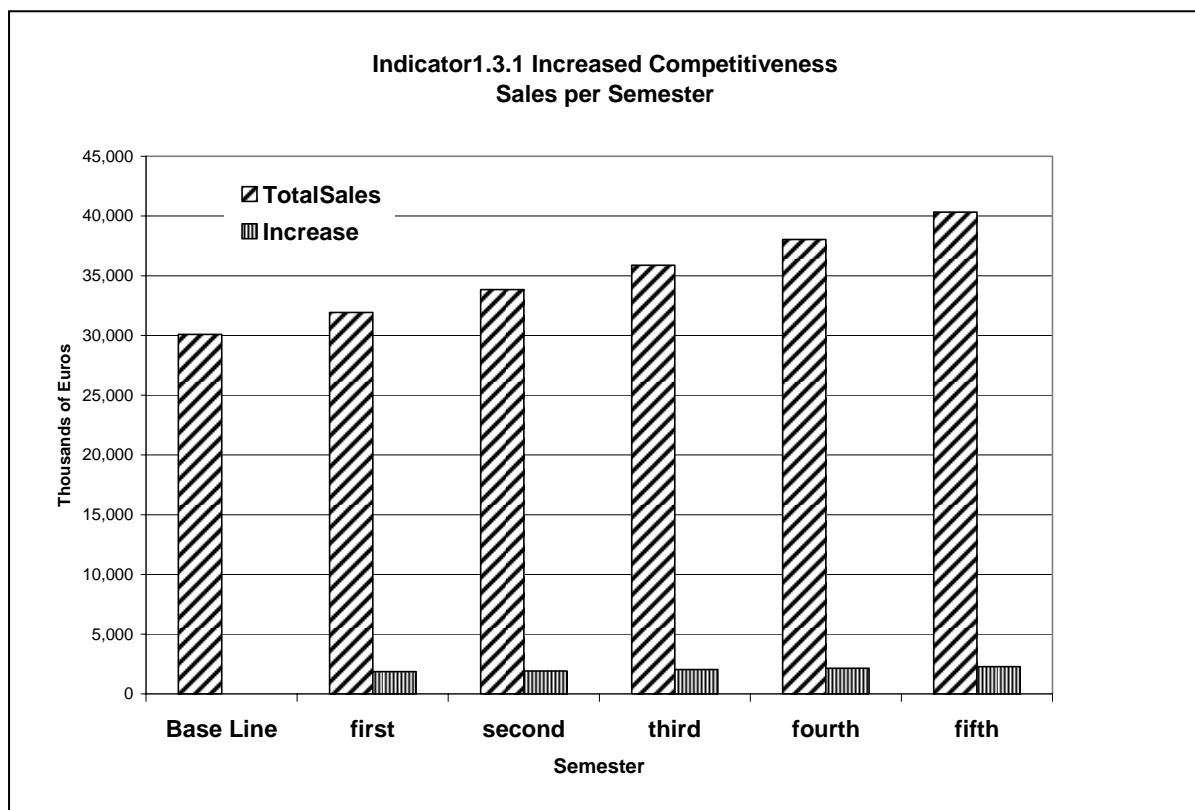
The Executive Summary of reports should present the main indicator results, not all but the key results for the Strategic Objective (SO) and the Intermediate Results (IRs), but not necessarily the sub-IRs. USAID puts so much emphasis on the results framework and results indicators, why keep the reader in suspense until the second-to-last section of the report? Presently indicators are in the PBMS section which is the last or second-to-last section of the periodic reports.

OBSERVATION 2 – Graphic Presentation of Key Indicators:

In some projects very concise sections of the Executive Summary are used as “Fact Sheets” which can be handed out at presentations or as part of the communication strategy. These sections can be enhanced by the use of graphs which are extended each quarter so that the growth or impact can be easily grasped. For example:



Or, if the increase per semester is important, then a double bar graph is also useful:



Note that it is better to use patterns and black and white lines than colors because handouts tend to be copied and color will not be clear.)

OBSERVATION 3 - Associations as Part of the Cluster Effort:

Although the association work of the General Business Support Team has been separated from cluster responsibility, I think that at the beginning of each cluster report there should be a brief, narrative summary of the ongoing activities and results with the association for that cluster. This would be in keeping with the mention¹³ of these associations under the clusters in the “Year Two Work Plan.” The detailed report on the associations, business service providers, and policy dialogue should be in its own section which is IR 1.3.2 “Improved Business Environment” prepared by the General Business Support Team.

OBSERVATION 4 – PBMS as a Management Reporting Section Instead of Data Reporting Section:

The PBMS section in a periodic report should only be used for describing the management issues, e.g., data quality (11.3), verification (11.4) and progress being made on establishing, maintaining, and creating the PBMS, but not for reporting on the indicators themselves as under “Status (11.5). The “Status” should be about the development of the indicators, or for communicating proposals for new indicators. Given that that this section is one of the last in the reports, it is really too late to present the indicator results to have the desired impact on the reader.

OBSERVATION 5 - Repetition And Scattered Comments:

The problem seems to be the attempt to report on the results of the effort and also the process of the project in separate sections. For example, Silcapor is in section 7.6 (under Materials Cluster) of the annual report and 9.3 (sales and marketing team).

The main effort in these reports, for USAID's interests, should be to organize by Intermediate Results and then by cluster. The cross-cutting efforts should be reported in those sections and not in separate sections.

OBSERVATION 6 - Incomplete Answers:

At all costs, the presentation should avoid presenting part of the results leaving the reader to doubt or question, e.g., in the September quarterly report on Blueberries,

“The cluster staff expected that a minimum of 150 tons of wild blueberries would be collected and sold to local buyers for export to regional countries during this season. The blueberry export target was not met due to insufficient numbers of harvest labor.....”¹⁴

“150 tons of wild blueberries would be collected and sold to local buyers for export to regional countries during this season. Successful export shipments of blueberries were made to companies in Serbia, Montenegro and other regional countries, but the blueberry export target was not met due to insufficient numbers of harvest labor.”¹⁵

There are two important aspects needing comment: 1) what was the actual harvest, 2) why was there a harvest-labor bottleneck, and 3) how would this be avoided next year? If goals are not met then the level reached must be stated and an explanation provided followed by plans to overcome the obstacles. After all, perhaps only 140 tons were harvested or only 14 tons. How big was the problem? Note that the lack of labor was

¹³ P. 34 3.4.2 “ approach in year two.”

¹⁴ P.2 in executive summary

¹⁵ P, 13

also a lost opportunity to establish a base-line for this year against which to show an increase in the FTE indicator for next year. Was the actual labor used recorded for comparison with next year's harvest? Can we use this information for the multiplier work?

Another example:

"From time when KCBS presented SAF, interest in the fund has been very high. Apart from the approved subcontracts and grants, KCBS has received 48 concept papers and met with many organizations that have shown the interest..."

Just how many is many? If these organizations did meet with KCBS staff then there should be a number, those initial contacts should be the basis for follow-ups or workshop planning so they are important figures and there should be an ability to list the organizations for follow-up (Getting Grants workshop) and also for auditing purposes.

OBSERVATION 7 - Call Estimates “Estimates” and Not Facts:

In the September report it is stated that,

“There is an increase in employment of 427 new jobs from the baseline year figures from the client companies and additional 422 using multiplier coefficient in livestock cluster. In total there are 849 new jobs created.”

Multipliers are estimates, so it would be better to say, “ and, using the multiplier (explain where it comes from or the basis), it is estimated that an additional 422 new jobs were created indirectly or directly depending on the multiplier.

OBSERVATION 8 – Avoid Logical Contradictions:

For example,

“2.5 Dairy breed cost analyses and breed adaptability

The heifer rising program is in the approval process to facilitate the raising of heifers in Kosovo. Based on KCBS preliminary calculations it is more cost effective to import heifers to Kosovo. KCBS has identified the farmer who is going to raise heifers and sell when they are pregnant. A financial business plan will be developed to assist them in developing a heifer raising operation. The factors that will stimulate heifer-raising program is that the heifers raised in Kosovo will adapt more easily to climate conditions in Kosovo compared to imported heifers.”¹⁶

Note that in this report, same paragraph, and in the June report, the fact presented was that it was more cost effective to import heifers. Yet the paragraph goes on to explain that KCBS is supporting local heifer raising. Why if it is not cost effective? The local raising could be an import substitution effort if the import of heifers was a considerable volume, The local adaptation to climate is interesting – after all the heifers are going from one temperate area to another - not temperate to tropical. What is the strategy behind this?

OBSERVATION 8 - Uniformity in the Pattern of Expression:

In section 10.4 of the June quarterly report notice the following:

IR.1.3.1 Increased Competitiveness of Targeted Clusters

Indicator 1: Total sales among targeted enterprises

There is a net increase in the value of the sales amounting to € 1,855,956 from the baseline year figure of € 38,083,156

Indicator 2: Jobs created among targeted clusters

There is an increase in employment of 276 new jobs from the baseline year figure of 1,015

I.R.1.3.1.1. Improved Productive Capacity of Private Enterprise

Indicator 1: Value of capital investment within targeted enterprises

There is a net increase in capital investment of € 5,411,655 from the baseline year figure of € 5,772,067.

I.R.1.3.1.3 Strengthened Capacity to Access Credit

Indicator 1: Value of financing within targeted enterprises

¹⁶ September report P.5.

There is a net increase in financing of € 2,446,700 from the baseline year figure of € 1,316,500.

The recommendation is that for quantitative presentations it is better to use tables or graphs instead of paragraphs which express facts in different patterns. The term “net increase” was really not net but the total for some of the indicators and for others, employment is really was a net increase reported..

III. Review of the Existing Data-base, Other Documents, and Forms of the PBMS.

At the present time there is an excellent shared data-base for enterprises. A shared data-base needs to be prepared as soon as possible for the associations being strengthened or formed by the General Business Support Team. When the strengthening and formation of business service providers start, that team will need a shared data-base to track progress. Section VI describes the data-base which will have to be developed to store the survey data. Suggestions are made for the data-bases being created at each association on their memberships as a follow-up on the comments made on the indicators which associations should have for their members.

ENTERPRISES:

For the enterprises KCBS has developed a solid data-base and system for verifying and entering data. The use of the system for tracking enterprise development via monthly and quarterly reports facilitates, formalizes, and standardizes the record-keeping for the cluster specialists instead of leaving it to each specialist to organize the information. This is an excellent management tool.

The exchange of signed forms, e.g., monthly business report, with the enterprises is also an excellent way to assure accuracy. Importantly, for enterprises which do not have orderly record keeping, these forms put them into the habit of recording the information in a standard way and having the records for comparison.

OBSERVATION:

Two key areas of enterprise tracking relevant to the KCBS goals should be incorporated into the Enterprise Data-base:

1) import/export data:

This area of enterprise record keeping has not been established, but it is directly relevant to the KCBS goal of import substitution and increased exports as well as the basics for cost accounting. The "Client Enterprise Baseline" screen, including the "Monthly Baseline Data" section, does not have an entry place for this information. Exports should be a subsection under "Sales Value"

The input side needs to be identified as an import or locally produced so that the production chain can be reinforced by working with the existing local suppliers or the identification of potential and new enterprises for import substitution. Then, when KCBS efforts create local sources, it will be possible to show the impact on the import component of the enterprises directly related to KCBS.

2) Costs of Inputs:

Although total sales are recorded, the purchases or costs of doing business are not included. These facts are important to see if there are any increased efficiencies. The cost of labor, as pointed out elsewhere in this report, is also needed. The cost and origin of major inputs are needed as a management tool for both KCBS and enterprise managers.

As is recommended for the association data-bases, this import/export data would be very useful for associations to demonstrate their member policy needs as well as to demonstrate the importance of their membership in the overall economy.

RECOMMENDATION:

A section should be added to the enterprise data forms and the data-base which includes:

- 1) total labor costs (Ideally this should be broken down by type of employee – management, supervision, labor, but may be asking too much at this time because confidentiality will be a question for management income.)
- 2) business service providers
- 3) materials imported
- 4) materials used from local manufacture
- 5) interest on loans
- 6) rent
- 7) fees paid to governments
- 8) royalties

ASSOCIATIONS:

THE NEED FOR A SHARED DATA-BASE:

One of the important qualities of the KCBS Enterprise Data-base is that it is a shared data-base which facilitates the exchange of information, stores the record of progress, and the accomplishments so that supervisors and new personnel can review enterprises and, most of all, such a data-base structures record keeping for the specialists. Information about the enterprises such as work plans, meetings held, training offered, etc, is easily tracked. For associations there is not a similar or comparable system. Considering the small number of associations for each specialist in comparison with the cluster specialists, asking them to track the information is not a burden; it should be a responsibility just as it is for the enterprise specialists.

It is not necessary to create a complex data-base, and while the recommendations in this section are intended to be complete, the intent is that only the information needed to track process indicators and pertinent results indicators be selected by the General Business Support Team.

Unless there is such a system it will be difficult to review the performance of the general business support team, plan the work for each month or quarter, and, also, it will be difficult to show progress to USAID on the sub-IR indicators defining “sustainable associations.”

For the overall KCBS strategy to achieve the goals of the SO, associations are an important unit of analysis in the same way that the enterprises are. Originally the KCBS Data-Base was prepared for tracking the organizational development effort of the association specialists in narrative form. It is titled “Association Quarterly Report” found under “Reports” on the main screen of the “KCBS-data-base.”

The Association specialists do not use this facility and, instead, file, similar, weekly work reports with the supervisor who composes monthly and quarterly reports from those weekly reports. At the same time, the specialists do not maintain a file on the progress being made with each association. They write weekly reports which are not association specific but, instead, are related to the components of organizational development. Indeed, the periodic reports are broken down that way, e.g., progress made, in general, on strategic plans. In reality, each association should be treated in the same way as an enterprise, that is, a comprehensive information data-base which contains the work plan for that association, the progress being made, basic indicators and descriptive data on each enterprise.

RECOMMENDATION:

Because the organizational development of the associations is such an important part of KCBS effort, there really should be a section of the KCBS data-base which is for Associations with data entry screens similar to the enterprise data screens, e.g., Data Entry and, Reports, and options, new association, updating existing and so forth similar to those used for tracking enterprises. Considering the small number of associations for each specialist in comparison with the cluster specialists, asking them to track the information is not a burden.

Unless there is such a system it will be difficult to review the performance of the "General Business Support Team," plan the work for each month or quarter, and, also, it will be difficult to show progress to USAID toward the goal of developing sustainable associations.

In section I of this report, recommendations on results indicators for associations are made. These indicators should be incorporated into the Association data-base.

The addition of an Association data-base was discussed with the PBMS Specialist and the IT Specialist (Nazmi and Ilir, respectively). They suggested that a new main menu would be established from which one would chose "Enterprise" or "Association" (Business Service Providers could be added to that menu when the time comes), from there the Enterprise specialists would use the same system as they do and the Association specialists would branch off to the Association menus. It is suggested that for the associations screens analogous to the following enterprise screens would be used:

- 1) For the basic Association information the "Enter New Enterprise" form under "Enterprise Entry Data" has virtually all of the variables relevant to Associations on except " Foreign Owned" and " Main Products." The Bottom line of that screen would be changed to list the Board of Directors, and contact information on the Business Service provider. The bottom section of that form would change to the description of the association as desired by the Business Service Support team.

Once the basic association information is entered, then the following types of screens would be used as found under "Enterprise" in the present menu.

- 2) The right-hand side of the screen for "Enter/Edit Data" would change:
To include:
 - a) The base line would be for an entry screen for the organizational development scale and would include all of the aggregate statistical data on the members which would come from the Association data-base (Total sales, employees, imports exports),
 - b) Considering that the Business Service Group does weekly narratives, the format titled " Quarterly Entry, should become "weekly entry" using the format that they use.
 - c) There should be a visit screen as in the case of the enterprises, but the " purpose" section would need to be reviewed to make it relevant to the Business Service Group,
 - d) The "Action Plan" would become the Strategic Plan plus the annual work plan if they are separate.
 - e) There would be a button to go to the SAF tracking information.

- 3) "Client Enterprise Baseline and Monthly Baseline Data" would change significantly to a perspective of the aggregate statistics on the association membership, e.g., number of members, number of total membership sales, employees, exports, and imports.
- 4) Quarterly reports would be made and not monthly reports because of the agreement on SAF and annual work plans.
- 5) There should be two sections for financial reporting and up dated quarterly: 1) the budget of the Association and the budget for the SAF grants.
- 6) The Reports section would include:
 - a) The Baseline information, association by association – a table
 - b) For quarterly reporting: A list of the Associations and the dates that the various steps on the Organizational Development scale were accomplished. There should be with a tally at the base showing how many had accomplished each step.
 - c) A cumulative report on the base line statistics for all associations.
 - d) There should be buttons to pull down the text of the following key documents:
 - i. SAF agreement, and
 - ii. Strategic plan

BUSINESS CONSULTING PROVIDERS:

This effort began during the first year of the KCBS with the accounting training and also the survey of service providers. This year a Strengths, Weaknesses, Opportunities, and Threats (SWOT) activity is proposed and among the goals is the formation of six multi-disciplinary service providers. Indicators have not been proposed for this type of organizational development at this time and remains to be done.

At the time of the consultancy KCBS was seeking specialists to advise the service providers. When the staff has been hired and the strategy and work plan designed, then appropriate process indicators can be decided and, finally a Data-base with business consulting providers as the units of analysis can be designed.

SAF

KCBS has budgeted \$2million for grants. Often, evaluations of grant programs look at the speed of granting, follow-up and the timing of deliverables. Unless a simple data-base for tracking is prepared from the beginning, the review of grants then becomes a lengthily process of reviewing paper folders. If a data-base is prepared, then the information will be structured and lend itself to analysis as well as periodic reporting beyond what is require for the financial aspects of grants. .

This process has begun and a data-base will be needed for tracking the granting process (dates for each step should be noted), as well as for recording the receipt of quarterly reports and the accomplishment deliverables.

One grant agreement was reviewed to grasp the approach being used. The agreement specified time and deliverables, but data obligations and timing should be in each report because USAID requests quarterly reports due on the 15th of the month following the close of the quarter. Therefore, the grant agreements have to specify closing dates for filing their reports so that the cluster leaders can start writing the quarterly report the first week of the month after the close of the quarter.

IV. Review of the Approach to the Client Companies and Associations Regarding Data Collection and Data Quality.

Under the tasks concerning data-bases and indicators the general and specific approaches which are needed to assure data quality. However, from the periodic reports it is quite clear that record keeping, accounting skills, and the application of “generally accepted accounting practices” should be an important part of KCBS activity to strengthen enterprises, associations, and the future business service providers. From the effort to train and certify accountants and the formation of the Kosovo Society of Certified Accountants this was seen as basic for both individual management development but also is crucial for creating a business environment.

The following quotations highlight the importance of this area of organizational development:

RECORD KEEPING: “The main issue, not only while establishing the baseline data but also during the course of the project, remains data quality. Most of our clients do not have proper record-keeping and accounting system in place, nor do they keep any data that could be used for reporting purposes.”¹⁷

“ 8.6 Upgrade and certify accounting training material

SCAAK has been slow in developing its proposal to introduce training courses to introduce international accounting and auditing standards. In the spirit of KCBS’ design and strategy, we are not taking the initiative for them.”¹⁸

“ 10.0 PERFORMANCE-BASED MANAGEMENT SYSTEM

10.1 Summary

KCBS continues to have difficulty in collecting data, particularly from small-scale operatives such as farmers. They typically have poor record-keeping, and there is a lack of consistency in the records that are maintained. They are also reluctant to divulge “sensitive” information about their operations. The first problem will require a constant reinforcement of improved practices and a demonstration that by keeping minimal records – such as those prescribed for the PBMS – their operations will become more successful. The second problem may be more difficult to overcome. KCBS believes this is a cultural problem based on decades of mistrust of officialdom and its associated data collection practices.”¹⁹

OBSERVATIONS:

This last comment from the June Quarterly Report is too cavalier. Considering that accounting is the basis for business management and also sine qua non for honest reporting of profits and taxes, the KCBS should really have the application of these standards as one of the indicators of its organizational strengthening effort. Business support world-wide usually has accounting systems as a component. This gap is especially notable in the case of the KCBS because many of the results indicators depend upon accounting and record keeping from the milking parlor to the association board rooms.

¹⁷ KCBS Annual Report section 8.2

¹⁸ June 2005 quarterly report, p. 25

¹⁹ June 2005 quarterly report, p.29

RECOMMENDATION – 1 external, certified audits

This recommendation will make the business community cringe, but part of the improved business environment should be that businesses should have to have on file an external audit to substantiate the payroll declared and the taxes that they are paying. The taxing bureau should be able to demand these audits upon inspection or verification of declarations.

RECOMMENDATION – 2 scale of organizational development of enterprises

KCBS should have a scale for the organizational development of enterprises, which would include the whole process of business plans and assessment of the management structure and style of the enterprises. An item on that scale should be a few steps on the accounting capacity and practice through to certified external audits.

OBSERVATION

Data quality based on record keeping impinges directly on confidentiality as shown in the following quotations:

“Another constraint during the collection of data is that clients hesitate to give the data, even though KCBS has assured them by mutually signing a confidentiality agreement that the data will stay confidential to USAID and KCBS.”²⁰

➤ Dairy processors’ records indicate a 55% increase in production of Grade A milk. [the goal was to triple production]. However, KCBS doubts the validity of the reported numbers by the processors, which KCBS believes are grossly understated.²¹

RECOMMENDATION

The confidentiality agreements should call for follow-up data, e.g., at least a year or production cycle after the cooperation period. This should be part of the SAF agreements, and considering USAID regulations on grants, the recipients should be advised that they will be audited.²²

RECOMMENDATION:

OBSEVATION: BASE LINE ESTIMATES TO COMPARE FOR NEW QUARTERS

“10.4 Status of the indicators

KCBS has started to collect monthly enterprise data from April 2005. The data was collected retroactively for our client enterprises from January 2005 and then continued for each month till June 2005.

The baseline data for 2004 was collected as an aggregate figure, because it was not possible to get the data disaggregated for each month. This data is disaggregated in quarterly basis using formula Q1=15%, Q2=30%, Q3=40% and Q4=15% of the total baseline. Then, this disaggregated data was compared with the data for the period January – May 2005.

Due to the time constraints client enterprises couldn’t prepare data for the month of June 2005. So, all data are as of May 31, 2005.

²⁰ KCBS Annual Report section 8.2

²¹ September report p.4.

²² Usually, for small grants, it is permissible to employ local accounting firms. My experience with local firms is that they are less expensive than the international firms, they assign “seniors” to the audits instead of the churning “juniors” who have limited ability to detect systematic errors contrived by senior managers, and the practice of hiring local firms build the local capacity.

Status of the indicators required to be reported on a quarterly basis, compared with the same period of Baseline Year 2004 i.e. the period from January to June 2005, is as follows:

The Q1 through Q4 estimates seem arbitrary, or should be explained. It is unlikely that sales would be uniform that way across these sectors, then the formula is complicated by using 5 months instead of two quarters.

RECOMMENDATION:

Considering that the baseline is based on recall and not wholly from audited records, it would be better to take that as an annual figure and then to pro-rate the totals to-date for 2005 and make the comparison from that. Considering the seasonal agricultural cycle, it is shaky to project in any one season or quarter. It should be based on the complete agricultural cycle. The agreement with USAID on reporting is that the results will be presented within 90 days of the harvest (if storage is not a significant part of the harvest – if so, then the inventory needs to be included at current market prices.)

The problem of baseline data quality should become less and less of an issues now that the work with enterprises has been on a monthly basis for 2005 and comparisons between 2005 and futures years will be more reliable.

V. Review of Causality Assumptions in Assigning Improvements to KCBS Intervention.

A. THE RESULTS FRAME WORK:

The major causality questions raised are from the SO, IRs and Sub-IRs themselves and the indicators chosen to measure those concepts. "Face validity" is a concern when relating the title of some indicators to the statistics used to represent that concept. The second major concern is that some of the statistics chosen will not vary or will vary so little that the statistic is not directly related to an activity of the KCBS. This issue was described and discussed in Section I "Review of the Existing Performance Based Management System."

Nevertheless in the case of **SO.1.3 (1) "Accelerated Private Sector Growth,"** the most troublesome part of the indicator from a causality perspective, aside from the "Kosovo-Wide" aspect described before, is the use of "Company Profit Taxes Collected" as an indication of private sector growth. The practical reasons for objecting to this are: tax evasion and possible changes in the law, but the main objection from a causality perspective is that the KCBS is not related to the concept of tax collection.

Setting aside the indicator issues raised above, the logical frame work has only a few causality issues from the Sub-IR to the IR level.

In the design of the program it was determined that the accomplishment of two intermediate results would lead to accomplishment of the strategic objective of Private Sector Growth. Those two IRs, Increased Competitiveness and Improved Business Operating Environment, are logical.

In the case of the Improved Business Operating Environment, the three Sub-IRs help describe the aspects of the environment that need to be improved. The causality is solid.

In the case of IR 1.3.1 "Competitiveness" only one of the sub-IRs "Improved Quality Control" is a competitive aspect. If the sub-IR "Improved Productive Capacity had a technology change aspect and were backed by those kinds of activities, then the cause between activity and Sub-IR and, ultimately, the IR would be a causal chain. Indeed, when one considers all of the agricultural technical assistance provided by KCBS, it begs the question of where that input or set of activities fits into the logical frame work. Logically the technical assistance should be under a Sub-IR with appropriate indicators.

RECOMMENDATION:

Change sub-IR 1.3.1.1 to reflect technological change and tie it to the extension work being done by KCBS.

The last sub-IR, "Access to Credit," makes a logical contribution to the Competitiveness IR

OBSERVATION:

Considering the KCBS effort in marketing and linking the enterprises to both internal and export markets, one would expect that there be a marketing IR, under which the

marketing activities would be measured and placed. This would be a direct effect for the imports and exports indicators in the SO.

B. Causality in Narratives

Ascribing impact to activities needs to be carefully expressed in the narrative. For example, in dairy production with the technical assistance in feeds it was claimed that milk production increased 20%. The first observation was that this increase occurred during the Spring time, a logical time for increased grass quality and freshening. Yes, these alternative hypotheses were not addressed, indeed, when queried, the dairy specialists indicated that they did not have feeding trials or good production records to compare. It is important to entertain obvious alternative hypotheses and to explain the conclusion.

C. Stressing Causality in the Observations of Change by the Team

One of the overall perspectives that is needed for all KCBS personnel is that of structural change in the economy, especially in the clusters and businesses where the project is working. KCBS is part of a transition effort which should bring about structural change. By "structural change," it is meant that new economic activities or opportunities are being created at the same time that the economy is being expanded. An example from dairy and feeds sector is that the industry is going from subsistence farming, with a capacity to market some surplus milk, to an industry of commercial farms which are no longer self-sufficient in herd replacement and feeds. One of the results, not reported, is the creation of demand for pre-mix ingredients. The premix business with one or two suppliers did not exist before. This is a new component and a change in the structure of the economy, yet this important impact of the KCBS was not reported because the personnel who did observe this fact did not have the overall perspective.

RECOMMENDATION:

The structural change perspective needs to be explained and each member of the KCBS team charged with reporting these new components so that they can be included in the narrative of the reports and also be related to the indicators such as increased domestic business and employment. This is easily illustrated with a graphic presentation of a grid. Then explain that a new component related to these clusters means inserting a new row and column into the grid and that not only does that service or product serve the present users, it opens opportunities to other industries throughout the grid.

TASK VI. Development of Multipliers for Our Targeted Clusters.

The existing public data on the sectors related to the targeted sectors was reviewed with the goal of using available statistics for calculating the multipliers. Aside from the fact that sales or production data by sector is not available from the Macroeconomic Policy Department, which produces the statistics and the employment statistics did not seem realistic, as pointed out in section I. This dearth of relevant data, and in keeping with the reservations about using Kosovo-wide data to reflect the impact and effort of the KCBS, lead to the proposal, described in this section, to gather the data from the direct clients of KCBS and, for the indirect effects, the same information from the customers and providers of the KCBS clients.

Cluster specialists at KCBS were consulted for their impression of the willingness of both the direct clients and the main indirect companies to provide the required statistics. They were confident that at least the major suppliers and buyers would provide the information.

The COP and PBMS coordinator agreed that the methodology should be applicable to any sector or production chain, but the initial focus should be on the Dairy and Quarry production chains. Once this is accomplished then the wood products industry and vegetable crops can be done. It was also agreed that although the cluster specialists can provide or obtain the data from the direct clients, they cannot spare the time to obtain the data from the enterprises involved in the indirect impacts. Accordingly a service provider will have to be contracted to interview them. It should be noted that within the dairy production chain, some of the indirect enterprises of the direct processor clients will also be the direct dairy producer clients of the KCBS. Hence the task may not be that extensive.

To manage the data collected a data-base will have to be written in MS. Access. The KCBS data-base manager has this capability and it is not an extensive chore, simply a data entry routine for each enterprise interviewed. The calculation of the multipliers from the data can be done by the PBMS specialist or, once the data is assembled the multipliers can be prepared in collaboration by email between the PBMS specialist and this consultant.

METHODOLOGY FOR GATHERING THE DATA AND CALCULATING THE MULTIPLIERS FOR THE KCBS CLUSTERS

The scope of work calls for:

“The consultant shall also consider the economic structure in Kosovo with a view to developing multipliers, which reflect results due to KCBS intervention other than those directly measurable at KCBS's client companies.”²³

*“An important issue related to measuring indicators is the multiplier effect. A multiplier is a factor that can be used to calculate the overall effect of the change within the local economy. Multiplier impacts reflect two components, direct and indirect effects. The direct effects are the increase within the cluster. The indirect effects are the impacts on local industries related to but not part of the cluster. There was no study performed yet related to this issue in Kosovo, so we do not have data about industry or cluster multipliers.”*²⁴

²³ SOW, P.1 “Purpose”

²⁴ SOW, p.1 “Background”

6. "Development of multipliers for our targeted clusters." ²⁵

- "Specific multipliers for use in each cluster for sales and job increases." ²⁶

These terms were confirmed in conversation with Martin Wood and Nazmi Pillana and, accordingly, the methodology for calculating the multipliers will be to calculate the direct and indirect effects of changes in the volume of business and employment of the client firms. Induced effects from salaries are not to be considered because the effort to document and estimate the salary component of employees in the various firms which would then impact on the volume of the firms would be too expensive and difficult.

The result will be cluster specific multipliers for each link of level of the production chain. Because the impact of the KCBS is specific to the clients involved and those clients are undergoing a major transformation in comparison with the traditional structure and management approaches of those industries, the resulting indicators should be understood to be representative of the potential for the whole sector. Moreover, because KCBS is in its initial stages, it can be expected that these multipliers will change as the program evolves. One measure of the impact of the KCBS could be to compare the initial multipliers which will be calculated base don 2005 data with a similar study which should be done toward the end of the project.

OBSERVATIONS ON MULTIPLIERS IN GENERAL:

Multipliers are parts of a model of economies (generally called input/output models), and as with most models there are four general assumptions which need to be considered when using those models.

1. The multipliers are assumed to be stable or constant over time²⁷, i.e., the amount of each input necessary to produce one unit of each output remains the same. The amount of input purchased by a sector is determined solely on the level of output. Further more, consideration is not taken for price effects, substitution, changing technology or economies of scale.
2. It is assumed that there are no constraints on resources; supply is infinite and perfectly elastic.
3. It is assumed that all local employment resources are efficiently used and at full capacity, there is no underemployment of resources.
4. Input/Output models are flow models; stocks are not explicitly represented, which implicitly assumes that goods can be produced without additions to capital stock.

It is important to compare the assumptions with the purpose of the KCBS so that the utility of the multipliers which will be calculated from the proposed methodology will be clearly understood.

²⁵ SOW, p.2 'Tasks'

²⁶ SOW, p.2 "Deliverables"

²⁷ Yuri Mansury, Prof of Regional Science, Cornell School of Architecture and Regional Planning, found that a comparison of multipliers for the Indonesian economy from before the economic crisis of the 1990's with the multipliers after the crisis showed that they were, indeed, stable. This leads one to conclude that even in a crisis of that scale which led to political turn over and millions of unemployed, multipliers do not change if the basic underlying structure does not change. In the case of KCBS, however, the case will be made that they structure of these sectors is being changed.

There are two perspectives: 1) The first year's experience of the KCBS and 2) the intent of the KCBS.

- 1) The first year's experience demonstrated that there are constraints to production, e.g., the supply of labor for harvesting blueberries.
- 2) Among the intents of the KCBS are, changes in prices for inputs and better prices for outputs, a goal is to increase the economies of scale, new technology is to be introduced, and import substitution is a program goal. KCBS intends to increase the capital stocks, and, in the case of transformed SOEs it is probable that the goal is to change the underemployment of resources both human and capital. Import substitution and the use of service providers is also a program goal which would change the multipliers when achieved. In general terms, KCBS activity is to transform the structure of the clusters and in doing so will lead to changes in the multipliers. Examples of two structural changes are the introduction of the hatchery business to the poultry production chain (also import substitution) and the pre-mix supply business for bird and animal feeds. These examples are additions to the input/output matrix and, hence, structural changes.

In addition, many of the enterprises are sole proprietors or family enterprises in which the strategy of the family may be the steady employment of members and not minimizing the labor input or optimizing the volume per "employee" at the cost of reducing the number of family members employed.

Conclusion:

The multipliers will not be stable, yet can be used for a limited time - perhaps for a year after they are calculated, as long as the KCBS brings about changes in the clusters and the new links added to the chains. Once these changes are over, and the clusters are simply expanded by increasing market links and adding to the number of similar activities, then the multipliers should be more stable.

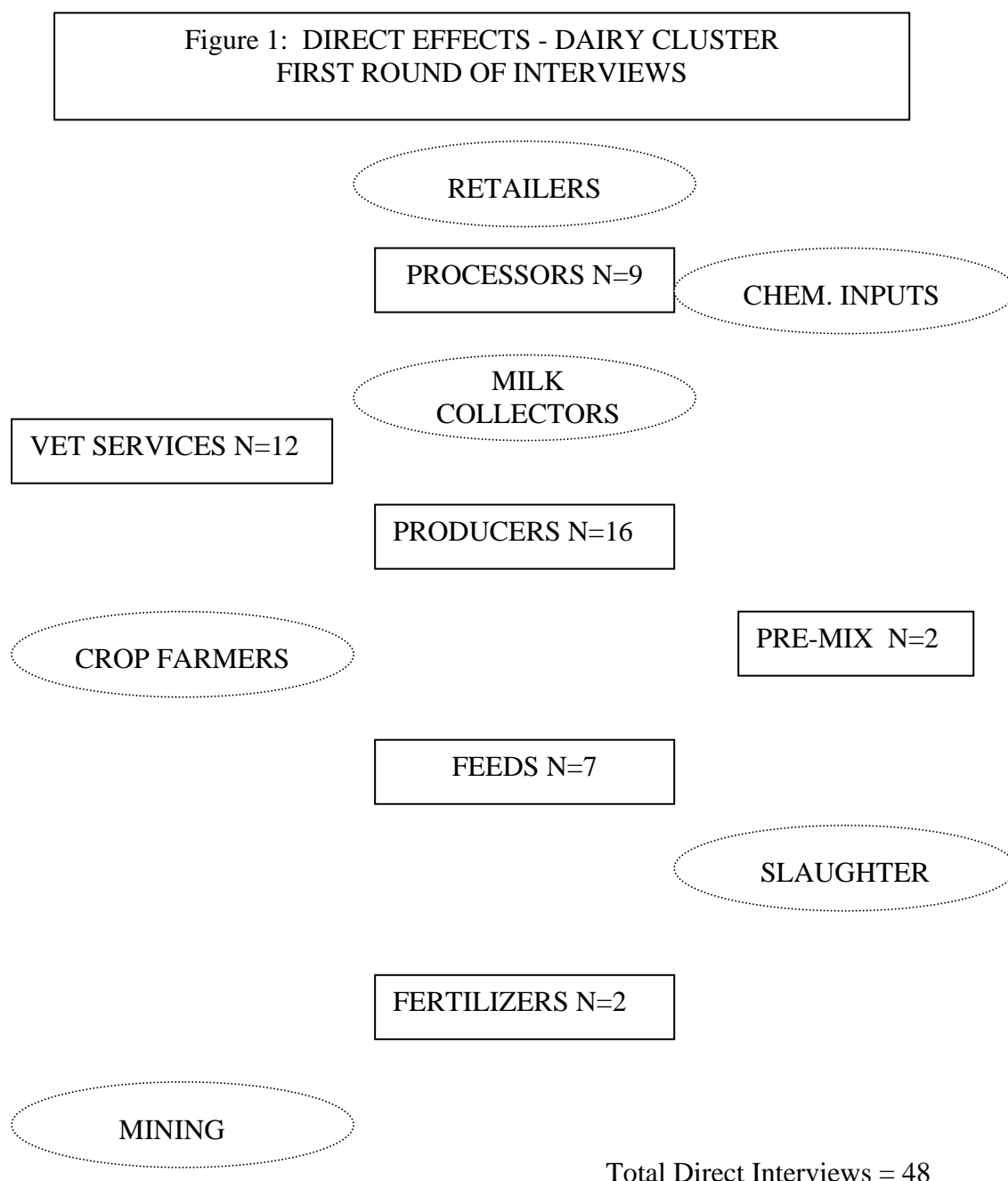
The changes in the multipliers which will be observed over time will be indicators of the impact of KCBS activities on the structural transition of these sectors.

The objective of the KCBS is really to change the multipliers and to change the structure of these chains. If that is accepted, then, the baseline estimates of multipliers should be used in comparison with multipliers at the end or midterm of the project to demonstrate how the multipliers have changed because of interventions. In other words, from an I/O perspective, state that the usual assumptions do not hold precisely because of the effort of KCBS to change the structure, the over capacity, the change in supply, etc. and therefore the multipliers will be considered evidence of the impact of the KCBS.

Ideally, given the dynamics of these clusters, the multipliers should be measured yearly until stability is achieved. The first time that the multipliers are measured they can be used to calculate the number of people employed as a secondary impact and then, during the following year used to project the change of employment and change of volume of sales for given interventions such as contracts negotiated. The second measure of the multipliers can then be used to for the third time period as well as compared with the previous measurement. It should be possible show, logically, where interventions have had their impact on the multipliers and hence, the cause that the intervention has had on the results indicators.

METHODOLOGY FOR GATHERING THE DATA FOR MULTIPLIERS:

1. The first chore is to order the client enterprises from the most basic outputs through to the final sale of the finished product within the system or the export of the product. This diagram is important to visualize and organize the surveys which will need to be done. The following diagram is an illustration with the links in square boxes being the direct KCBS clients and the links in ovals being indirectly related to KCBS and the subject of the second round of interviews.



2. For each client the suppliers and buyers will need to be identified, at least for most of the purchases and sales. Do not leave out business service providers such as veterinarians, accounting firms and, testing labs. Do not leave out new small businesses which are new links in the production chain.

3. Each of the direct beneficiaries or clients would be interviewed to identify their suppliers and their clients (buyers). It is important to obtain the annual purchase from the suppliers and the annual sales to each of the buyers.
4. The suppliers (Inputs) will then be contacted identify the “demand pull” on them. Three basic figures are needed from them:
 - a. Total sales
 - b. Sales to the client (simply to confirm the data given by the buyer)
 - c. The total number of employees and
 - d. Total Labor Costs.

If these suppliers look like new intermediaries or whole links, then their suppliers should be identified and interviewed.
5. In the case of buyers (outputs), again, three basic figures are needed from them:
 - a. Total purchases,
 - b. Purchases from the client (simply to confirm the sales data given by the direct client of KCBS,
 - c. The total number of employees, and
 - d. Total Labor Costs.

If these buyers look like new intermediaries or whole links, then their suppliers should be interviewed.

Note that when KCBS strengthens or creates a link in the production chain, that this is a noteworthy and substantial accomplishment.

Some of the suppliers and buyers will be clients of KCBS; it is assumed that the data to be obtained from them will be of greater confidence and easier to obtain.

See Annex III: for proposed data sheets to guide interviewers

SAMPLING:

Is it feasible and necessary to consider sampling or establishing cut-off points for interviewing suppliers?

Considering the initial and exploratory nature of this effort it would be risky to attempt to reduce the number of suppliers and buyers interviewed by sampling because we do not know the basic parameters of those companies with regard to their relation (multiplier) to the cluster companies. If we knew more about the multiplier relationship between these enterprises, then perhaps, sampling by industry could be done. Furthermore, some of the KCBS initiatives have led to the establishment of businesses, such as pre-mix supplies or laboratory services, which, although a small percent of the total inputs of a single enterprise are key, new businesses.

For these reasons, for the first round, it is necessary to try to interview “most” of the suppliers and buyers. Perhaps, by defining the term “most” the number of interviews could be limited to the suppliers or buyers who make up 80% of the sales or purchases. Another qualifier could be that the volume of business has to represent more than 5% of the total transactions. But do not leave out the new links and suppliers/buyers who have been the direct result of KCBS>

That being said, if, for example, a direct KCBS dairy processing industry client has a large number of small producers of raw milk, then the number of interviewed producers could be reduced, but it will be important to note the volume of milk

purchases from all of them according to the processor and to use that proportion to weight the calculation of jobs generated.

INTERVIEWING THE CLIENTS FOR THE LEADS ON THE SUPPLIERS AND BUYERS:

Because a considerable effort will be required from them, that is, name, contact, and amount of sales/purchases, it will be important to explain the purpose of the study to and reinforce that the information provided is covered by the confidentiality agreement. Ideal would be for the cluster specialists to send an announcement to the clients before had explaining the study and the information that would be needed on the next visit to them

INTERVIEWING SUPPLIERS AND BUYERS:

Establishing rapport with these enterprises will be important. It will be necessary to explain why the information is being sought and the fact that a study is being conducted; as a matter of fact, this is the first study of its kind in Kosovo and that KCBS is asking a favor of them to help achieve this goal. It is important that you are coming to them for this information because xyz enterprise director said that you are an important client or supplier. (Do not reveal the extent of the sales to the interviewee.)

If the interviewee is not willing to provide its total sales or purchases, then the fall back can be. "What is the % that those sales or purchase of all of their sales or purchases?" (We will assume then that the total sales or purchases provided by the KCBS client are accurate.)

The interviewers should go to the enterprises with the names and location completed, and in the case of the secondary interviews the reference material should be completed to assist in the interviews.

STORING THE DATA:

A simple data entry screen in MS Access, based on one table data-base should be created. The insistence on one table is so that it can be easily exported to excel, SPSS, SAS or any other software that may be used for calculating the multipliers.

The opening page for the general information for enterprises used in the KCBS Data-Base can be used to start the data entry. Then there should be two screens: one for suppliers and one for buyers.

Variables needed for Suppliers are:

- 1) NACE code of the enterprise,
- 2) Name or ID number assigned to the company that referred them to KCBS as a supplier.
- 3) The sales of the company to the referenced enterprise,
- 4) The number of employees (FTEs if possible, or simply the total number maximum number of people employed (formally or informally²⁸),
- 5) Total labor costs (ideally these should include benefits and payroll taxes)
- 6) The total sales of the enterprise,

²⁸ I am not certain of the custom here, but in some countries the term "employee" refers only to people on a formal payroll. The goal, however, is to know how many people worked in the enterprise in the reference period that agrees with the total production/sales.

- 7) If the manager is reluctant to give total sales or sales to the client, then as a fall back, the % of total sales that the client represents.

Variables needed for Buyers from KCBS direct clients are:

- 1) NACE code of the enterprise,
- 2) Name or ID number assigned to the company that referred them to KCBS as a client or buyer.
- 3) Total purchases of the company from the referenced enterprise
- 4) The number of employees (FTEs if possible, or simply the total number maximum number of people employed (formally or informally²⁹),
- 5) Total labor costs (ideally these should include benefits and payroll taxes)
- 6) The total purchases of the enterprise
- 7) If the manager is reluctant to give total purchases to the client, then as a fall back, the % of total purchases that the client represents.
- 8) Total Sales of the enterprise

In the data-base the variables of the buyers must be separate columns or a separate table from the variables of the seller.

ADDITIONAL QUESTIONS:

There is always a tendency to want to add questions to a questionnaire, but the urge should be resisted to make this as quick and easily accomplished as possible. Nevertheless, for KCBS an additional question or two as a closing to the interview may be useful, for the following reasons related to Input/Output modeling and the goals of the KCBS:

- 1) These models make no explicit assumption about the relationship between the value of the output and purchases of inputs of groups other than the region's industrial³⁰ firms.

- 2) The demand of these external units³¹ is referred to as final demand because the outputs are leaving the region's processing sectors. Final demand includes purchases by government, purchases by households and firms from other regions and, in some cases, purchases by households in the specific region under consideration.

To provide information and insight the following open-ended questions could be included in the survey:

Why buying from x-enterprise?
Do you have alternative sources?

If "yes," why buying from them? (Looking for price, quality, timeliness, import substitution)

Has this supply made it possible to increase sales?

Has this supply made it possible to employ more people?

Have this supply made exports possible or to increase?

²⁹ I am not certain of the custom here, but in some countries the term "employee" refers only to people on a formal payroll. The goal, however, is to know how many people worked in the enterprise in the reference period that agrees with the total production/sales.

³⁰ This is a poor assumption in an open economy, and precisely one of the goals, i.e., import substitution. The import component is definitely a needed indicator to assess the impact of KCBS.

³¹ Also needed because another KCBS goal is increased exports.

For selling to x-enterprise:
Do you have alternative customers?

If “yes,” why selling to them? (Looking for price, quality, timeliness)
Is this a new customer; made it possible to increase sales?
Has this customer made it possible to employ more people?

The closing of the interview should include a sincere thank you for making your interviewing job possible and also stress the importance to the study of understanding the economy of Kosovo and also helping KCBS serve the businesses better.

CALCULATING THE MULTIPLIERS:

As with any modeling, there are assumptions (in addition to those already indicated about multipliers), and a key assumption is that an industry's demand for inputs from other industries is related closely to its own level of output. The task is to calculate the ratio of those inputs to the outputs.

The value of total output of each industry is divided into that which is used in the production of those goods. For labor multipliers, it is assumed that sales or purchases are proportionally related to the number of employees.

Once the ratios are calculated they used to estimate that if a change in production is brought about them down stream (input side) by that ratio or multiplier.

- 1) The data will be aggregated by NACE code. Once the array of NACE codes is known it can be determined at which digit the aggregation will take place, but, for the sake of simplicity, consider the aggregation of the data to be for each link in the production chain, e.g. milk producers. Aggregate for each level in the production chain by summing from the interviews of enterprises: purchases, sales employees and salaries,
- 2) Calculate the ratios of the sales to purchases for each link between production levels. The difference in the two is considered “leakage,” that is, bought from outside of the production chain. The difference could be imports, but it could also represent purchases from local enterprises not interviewed. For this reason the additional question about the local or import original of purchases for further analysis or leads on potential for import substitution.
If one believes has evidence that the missing purchases are local and that they come from the same link, then the ratio can be assumed to be 1.0. For example, if milk producers interviewed declare sales of 100 and the collectors only buy from local producers and declare 150 in purchases, then a case can be made to change the multiplier from .667 (100/150) to 1.0 (150/150) and assume, from then on, that the interviewed producers are “representative” of that link. This will have to be decided once the data is gathered.
- 3) Create a two-dimensional array or matrix with sensitivity drivers³² to show “what if” impacts for changes in sales at any level on the employment and sales below. The same ratios can be used for push-type impacts. For example, if KCBS changes milk production at the farm in its clients during the coming year, and they sell all of that increased production, then the ratios upward can be used to show increased sales and labor employed. (See Annex IV: “Example Spread Sheet.”) The example Excel spreadsheet was discussed with and given to Nazmi Pillana during the consultancy.

³² Sensitivity drivers are simply cells that can be changed to see what the outcomes will be, for example and in crease in x-sales at a given level implies changes down through the production chain.

- 4) Assume that the ratio of employment to production at a given level is constant. (As was pointed out above, one of the KCBS goals is to increase labor productivity and that over time, during the project, these ratios will change. Nevertheless, the initial ratios can be used for a year or two and then, as recommended the survey should be repeated so that these changes can be documented. For this reason it was recommended that the cost of labor be obtained in this survey and also in the accounting with the direct clients of KCBS.)

Conclusion:

It is important to keep in mind that the purpose of the Multiplier Task was to enable the KCBS to estimate additional employment generated by expanded production or demand for that production in the KCBS clusters represented by these chains. It was agreed that during the interview, data-base, calculation and interpretation process that I will be available on an email basis for consultation.

CONCLUSIONS AND RECOMMENDATIONS FOR FUTURE ACTIVITY

- 1) Quarterly, there should be “whole team” meetings facilitated by the COP at which the cluster-leaders, specialists, Business Support Team, communications specialist and PBMS specialist present and review the activities and accomplishments with an eye toward how their work has contributed to the development of the clusters and the structural change of the economy. These types of meetings should provide leads on reportable contributions to the indicators as well as opportunities for KCBS activities. Unanticipated results should be encouraged subjects for discussion, but main purpose of these meetings would be “intra-netting,” that is to foment and stimulate cross cluster information sharing and knowledge. Written reports are not able to convey the nuances of the project or build team solidarity. The quarterly review is meant to be a relaxed event of at least a half day. A whole day is probably more appropriate for a project of this scale. It would be timely to have the first quarterly review in January to bring closure to the writing of the quarterly report.
- 2) Under the direction of the PBMS Specialist, with “launching support” from the COP, the multiplier survey work for should begin immediately. It would be useful for the communications specialist to prepare a one-page description of the purpose of the survey which can be handed out as a brochure by the dairy and feed specialists to the parties being interviewed. Questions and observations can be consulted at any time with Kris Merschrod. As soon as the first round of interviews is completed, the IT specialist should create the data-base to receive the information. Ideally the data should be entered from the interview sheets by the specialists who do the interviews because they know the enterprises best. The PBMS specialist should diagram the cluster so that the identified indirect enterprises can be identified and the extent of the second round of interviews be determined. January is a realistic date for the diagramming and estimating. In late January, at best, the second round of interviews should begin. In February the multiplier model can be built. The goal would be report on the multipliers and to use them by the end of the 2nd 2006 quarter.
- 3) The recommendations on reporting style can begin with the next quarterly report. It would be useful to share those findings with all of the staff members who prepare inputs to the quarterly report effort so that the observations are kept in mind. If the recommendation on the use of graphs in “fact sheets” is applied, then the communications specialist should be part of that effort.
- 4) The section on Indicators could be a useful toll for discussion with the USAID team. They seemed receptive to the recommendations, and it would be timely to make the changes for the first quarterly report for FY 2006.
- 5) The COP and the PBMS specialist should meet with the Business Support Team to agree on the process indicators and shared data-base for the development of the associations. As soon as the scales and indicators are finalized – it is recommended that this take place this first quarter and be implemented in the second quarter – the IT and PBMS specialists should create the shared data-base along the lines of the Enterprise data-base so that the association specialists can, in the normal course of their work with existing and new associations, can input the information. Ideally, the Business Support Team leader should be able to use this shared data-base for the second quarterly report in FY 2006. That is, by March 2006.
- 6) As soon as the SWOT effort for the business service providers is planned, the data-base for the service providers should be planned by the PBMS and IT specialist with the Business Support Team leader and the new specialists being recruited. The survey

conducted during 2005 could be basis for a directory, and a sub-set would be the strengthened business service providers.

- 7) The data-bases developed for the associations should be reviewed to be sure that the information being stored and updated coincides with both the association needs for information on the cluster that they represent and also so that they can report on the indicators needed by KCBS. This can be done immediately using the recommendations in this report as a reference for the review of the two data-bases created by service providers. This review would need to be done with the combined expertise of the leader of the Business Support Team, the PBMS specialist and the IT specialist to review them too. It is important not to cause each Association to start their data-base from "scratch," that is, once one of the two exiting data-bases is reformed and found to be relevant for KCBS and Association use, then the provider of that data base can be recommended to associations. The data-base for the associations is an indicator of organizational development (statistical strategy) of an association, but it is not realistic for beginning associations to know exactly what is needed. This is a KCBS responsibility for developing these organizations and, at the same time an opportunity to develop the capacity of business service providers.

ANNEXES

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ANNEX I: Summary of Review of Actions and Next Steps

Originally "Attachment A:" from 3/15/05 report by Michael Adams-Matson, Observations were made during this assignment.

ACTION	DUE DATE	RESPONSIBLE PERSON	OBSERVATIONS 30 NOV 05 KRIS MERSCHROD
1. Confidentiality: Circulate the draft policy to KCBS staff for comment and finalize.		NPillana could send the memo to staff for comment. MW should approve the final policy.	Implemented in Mar/Apr. formality is good. Because of KBS program the specialists had rapport with the carryover enterprises. This form and explanation is and will be more important for new clients, e.g., construction
2. Data Collection & Reporting: Circulate the final version of the indicator guide to the cluster and association teams.		NPillana	PBMS guide was presented by Michael and then when data base was finalized Nazmi made a presentation, in April, This was good timing because at that time KCBS changed from working through Associations to working with the clients directly. The associations were just not developed enough to manage consulting services. The indicators were changed again at the end of FY 05 and the guide will have to be updated to include those changes and the recommendations that I have made in the report on indicators. ³³
3. Data Quality: (1) Reexamine data quality issues in the first quarter of FY06 to review the system once data have been collected to consider where adjustments might need to be made. (2) The status of associations in terms of their ability to collect data should also be considered; if some data can be		NPillana and MW	1) This is part of the assignment. Adjustments are in the recommendations in this report. 2) The report includes recommendations of the data bases of the association membership and services, and also for an association data-base for tracking the organizational development effort and results of the KCBS specialists. The data bases for the

³³ I did not have time to edit the guide during the two weeks of the assignment 20 NOV to 5 DEC.

<p>collected by associations at that time, then the data source may change and data quality issues for new processes will have to be examined.</p> <p>(3) The project should set high standards for data quality early on, particularly during the first reporting periods.</p>			<p>associations should be developed during the 2nd quarter of 2006.</p> <p>3) Improvement has been reported and effort to improve the accuracy of the data reported by associations and enterprises will require constant effort.</p>
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ACTION	DUE DATE	RESPONSIBLE PERSON	OBSERVATIONS 30 NOV 05 KRIS MERSCHROD
<p>4. KCBS Staff Session: Hold a brief session with KCBS staff to review:</p> <ul style="list-style-type: none"> - roles and responsibilities vis a vis data quality (these are outlined in the memo) - policy on confidentiality (draft is attached) - reporting process (reemphasizing that due dates are the LAST possible date for data entry, per Martin) - defining the universe- our approach to tier one and tier 2 data and that project managers should try to gather data for important enterprises (per Martin's guidance). - what types of information should be put in the narrative vs. what is put in the "official data tables". 		NPillana	<ul style="list-style-type: none"> - The roles of the enterprise specialists in this regard are worked out, but the Association and Business Service specialists we just begin doing a better job as per the recommendations for a shared data base for them. - The confidentiality issue was nicely handled by two means 1) the agreement and 2) by exchanging signed reports between the specialists and the enterprise managers. - Dates – There is still a problem and will always have problems for enterprises and associations to close their books at the end of a quarter and meet the KCBS/USAID report delivery date of the 15th of the following month. Same problem on quarterly delivery of data from clusters b/c they leave gathering to the end of the quarter and can't get data on the last month - but they are not entering and gathering – one consultant has only max. of 8 – policy of not visiting only for data - but little data – fax phone, email. The companies know before hand what is needed b/c they sign the sheet. TIER ONE AND TWO- recommend that they need to have application and annual update of data for the association membership – key variables that associations need for policy dialogue. That data could be used for a survey of second tier to ascertain if they participated in KCBS activities and was that related to enterprise gains. - Types of Information. Explained as part of Task 2,

			in Section II of the report
ACTION	DUE DATE	RESPONSIBLE PERSON	OBSERVATIONS 30 NOV 05 KRIS MERSCHROD
5. Performance Review Session: Plan to hold a performance review session. Identify who will be included in such a session, the schedule, where it will be held and whether a facilitator could be used (maybe a local facilitator is a possibility).		NPllana could organize it in consultation with MWood.	<p>Not carried out – just did not get to it. The PMP coordinator does not have the authority he goes through Martin.</p> <p>Martin did not plan this session and it fell by the wayside. The style of management at Martin's level and the Supervisor level seems to be more one-on-one and not group meetings and discussion on a periodic basis. Ideal would be quarterly whole-team day-long exchanges of progress and plans so that there is more integration.</p>
7. Specific Indicator Issues: (a) Further define the types of consulting services under "number of target businesses using business". (b) Determine specifically consulting services and determine specifically how the data will be gathered by cluster teams.	3/18	R.O'Sullivan general business team leader	Still and issue b/c the Business Service Development area is still very vague. The work plan for year two for this area (4.3) exploratory – a SWOT; a benchmark survey to follow-up on the year-1 survey; and 4.3.3 2.1 calls for advocacy and transparency areas which are not tied into Business Service
8. Set baselines and targets for two indicators noted above.		R.O'Sullivan	Not done except for a jobs goal (See 4.3.4 of annual work plan) of 10 teams and 60 jobs in the Business Service Area

ACTION	DUE DATE	RESPONSIBLE PERSON	OBSERVATIONS 30 NOV 05 KRIS MERSCHROD
9. For larger companies, make sure that the approach is clear for gathering data on jobs and sales when the company is larger and may have several businesses.		NPillana	<p>Have a few LLC sole proprietor not really tremendous multi-department organizations – only one example and it is SILCAPOR which has a gas station. Potential trading company has bought a 60 Ha. Parcel for veggie production. Would that company keep a separate book for the veggies? There is one case of using earnings from one to start new.</p> <p>RECOMMEDATION: accounting by accounts or departments.</p> <p>Summary – this is really a very minor issue and PMP and cluster specialists are aware.</p>
10. Rewrite PBMS document based on meeting with USAID		M.Adams-Matson	This was done and on 13 May USAID made the changes
11. Write up memo for Tim summarizing proposed changes to the RF and indicators		M.Adams-Matson	Done and sent on 5 May 05; USAID responded on 13 May as above.

ANNEX II: Recommendations - For Quarterly Report Format

This recommendation applies to both the grantees (SAF recipients in KCBS) and for quarterly reports to USAID. Although used in other projects, the Gantt Charts and Activity Sheets are not used at KCBS.

In general, make each report so that it can stand alone, that is, if a person picks up a report a reader should be able to understand what the goals are, progress to date on activities and accomplishments toward the targets.

Introduction – explains what the project is all about: lift this from the Task Order and give it a fresh look. Grantees should pull this from their grant agreement.

Executive Summary - The highlights of the quarter – this “sells” the project.

Fact Sheets - For the Results Indicators that USAID would like reported, the easiest approach is a set of cumulative graphs presented in “fact sheets” to highlight an executive summary. Examples of the graphs are illustrated in the main body of this report to KCBS.

Gantt chart – Usually task orders ask that, “These reports shall describe progress made in the calendar quarter (most recently ended) towards goals, including a comparison of progress against planned achievements under the performance monitoring plan.” (Under lining mine)

The Gantt chart is summary approach to show, graphically, how the project is executing activities and can also be an index for the activity sheets. This can be done using MS Project or it can be done using an MS Excel sheet which is probably better for the grantees. It shows the comparison of progress for the activities vs. planned. The first column of these Gantt charts is the activity number and this is also used in the title and ordering of the activity sheets as explained in the next paragraph.

Activity sheets are not used by KCBS, and instead they report by cluster and activity. This approach, narrative by cluster, is more concise than the activity sheet approach, and the same information is covered.

Activity sheets - for each activity being implemented during the quarter there should then be a simple narrative of what was planned and what was accomplished during the quarter, and then a brief section on what is planned – any unanticipated results or obstacles would be reported – only a standard, one page sheet per activity would be necessary and only those activities carried out during the quarter would be reported. They are brief and to the point plus explains the activity (taken from the PMP or grantee agreement). They are also guides for the person or organization in charge of the activity because it shows what was promised for the next quarter.

Administrative Issues – this is for reporting personnel changes, changes in the agreement, problems with financial aspects, PBMS, etc. that the SAF coordinator should know from the grantees and USAID should know about KCBS. (Not that the grantee problems would necessarily be sent on to USAID.)

Financial Statements – Grantees should include in their periodical reports the financial statements as agreed to with Skender Rama.

Usually the report to USAID has two parts: 1) the disbursements and liquidations locally, and 2) then the Home Office report on the letter of credit and the draw down.

ANNEX III: Survey Interview Formats

Interview data sheet for first round of interviews – Direct Clients of KCBS

Purpose: Identify Indirect Effects, Suppliers and Buyers

PAGE 1 OF 2

Name of Enterprise				Date:
Contact/Interviewee				
Location				
NACE				
Link in Chain				
Number of Employees				
Total Labor costs				
Total Sales				
Total Purchases				
LIST OF Buyers of their products		OUTPUTS		Local or Export t³⁴ (L or Ex)
Name of firm	Location/Contact	Type of product (Main)	Total Sales to client (2005)	
			PAGE 2 OF 2	
Name of Enterprise			Date:	
LIST OF SUPPLIERS		INPUTS		

³⁴ If an Export, then indicate to which state or country.

Name of firm	Location/ Contact Person	Type of product	Total Purchases From Supplier (2005)	Local or Import ³⁵ (L or Im)

³⁵ If an Import, then indicate from which state or country.

SUPPLIERS

Interview data sheet for Second Round of interviews
Purpose: Quantify the Indirect Effects, Supplier

Name of Enterprise			Date:
Contact/Interviewee			
Location			
NACE			
Link in Chain			
Name of Reference Enterprise			
Name of Reference Person			
	ALL REFERENCE IS 2005		
Product Type			Local or Import³⁶ (L or Im)
Total 2005 Sales to Reference			
Total Enterprise Sales			
Number of Employees			
Total Labor costs			

BUYERS

Interview data sheet for Second Round of interviews
Purpose: Quantify the Indirect Effects, Buyers

³⁶ If an Import, then indicate from which state or country.

ANNEX IV: Example Spread Sheet

DAIRY CLUSTER DIRECT CLIENTS FIRST INTERVIEWS

Part I.		Sums by Level				Part II.	Putting the ratios to use: changes in employment and sales					GRAND TOTAL
		EUROS	EMPLOYMENT	B/S RATIO			SALES = THE DRIVER					
				internal		DRIVER						
	Sells	500000	10			Retail	RETAIL	Process	Collector	Producer	Feeds	
		RETAIL		0.4		Sales	100000					
	Buys	200,000				Employ	2					
	Sell	100,000	10	0.5		Processor	0.500					
		PROCESSORS N=9		0.5		Sales	50000	50000				
	Buy	50,000				Employ	5	5				
	Sell	25,000	5	0.5		Collector		0.500				
		COLLECTORS		0.8		Sales	12500	12500	2000			
	Buy	20,000				Employ	2.5	2.5	0.4			
	Sell	10,000	100	0.5		Producer			0.500			
		PRODUCERS N=16		0.5		Sales	5000	5000	800	5000		
	Buy	5,000				Employ	25	25	4	25		
	Sell	2,000	10	0.4		FEEDS				0.4		
		FEEDS				Sales	1000	1000	160	1000	2000	
	Buy					Employ	5	5	0.8	5	10	
	Sell					Employed	39.5	37.5	5.2	30	10	
		GRAIN FARMERS				Sum Sales	168500	68500	2960	6000	2000	
											247960	

1 Arrange levels from most finished to basic

2 Add, by level, sales, purchases, and employ

3 Enter the sums as above where what the level buys is above what the level below sells

4 Calculate the Sell to Buy ratio (S/B)

5 Calculate the internal ratio, that is purchases divided by sales - rest is value added

6 That completes Section I.

1 The Diagonal (in gray) are the B/S ratios from Part I

2 The Multipliers above the diagonal are compounded multipliers down the chain.

3 The change in the amount of sales at any level is reflected in the lower levels beneath the diagonal.

4 Drivers are entered in the yellow diagonal according to detected change.

Example, if only a change is brought about in processing due to project effort, one would go to the yellow driver under the processor column of Part II and enter the change there. At the base of that column the total sales and total increase in employment would be shown

At the other extreme, assume that KCBS made improvements in each and every level independent of the level above. Then it would be necessary to enter the increase at each level and then sum along the bottom for a grand total of sales and employment

NOTE: THIS COMPLETE FILE WAS GIVEN TO NAZMI PLLANA so that the formulae would be accessible.

ANNEX V: List of Contacts

All contacts were made in Prishtina, Kosovo.

Martin Wood, KCBS - COP

Nazmi Pllana, KCBS - Performance Management Specialist

Ilir Doci, KCBS - IT Specialist

Richard O'Sullivan, KCBS - Senior Competitiveness and Association Advisor

Safo Musta, KCBS – Policy, Advocacy and Association Specialist

Mentor Thaci, KCBS - Policy, Advocacy and Association Specialist

Milazim Makolli, KCBS - Animal Feed Specialist

Arben Musliu, KCBS - Dairy Specialist

Valdet Osmani, KCBS - Construction Specialist

Qazim Pirana, KCBS - Manager of SAF

Peter Duffy, USAID - Private Enterprise

Urim Ahmeti, USAID - Program Management Specialist

Dardane Peja, USAID - Development Specialist

Flora Arifi, USAID - CTO for KCBS
